

Message Text

CONFIDENTIAL

PAGE 01 JAKART 01463 020939Z

17

ACTION PM-04

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C O N F I D E N T I A L JAKARTA 1463

CINCPAC FOR J4 AND POLAD

E.O. 11652: GDS

TAGS: MASS, ID, US

SUBJECT: FY 77 MILITARY SECURITY ASSISTANCE - OVERALL ASSESSMENT

REF: (B) STATE 017013 (DTG 230319Z JAN 76),

(B) JAKARTA 1308 (DTG 200943Z JAN 76)

1. TOTAL OF \$45.5 MILLION SECURITY ASSISTANCE PROPOSED
IN FY 77 FOR INDONESIA CONCENTRATES ON ASSISTING MODERNI-
ZATION OF INDONESIAN ARMED FORCES IN THREE PRIORITY
AREAS -- MOBILITY, AIR/SEA SURVEILLANCE, AND COMMUNICA-
TIONS -- IN SUPPORT OF WHAT GOI CONSIDERS ITS PRIMARY
DEFENSE OBJECTIVES: MAINTAINING INTERNAL SECURITY AND
PREVENTING INFILTRATION AND SUBVERSION FROM ABROAD.
COMMUNIST ASSUMPTION OF POWER IN INDOCHINA HAS AUGMENTED
POTENTIAL THREAT TO INDONESIA AND HAS INCREASED IMPORT-
ANCE OF INDONESIA AS ELEMENT OF POLITICAL STABILITY IN
SOUTHEAST ASIA.

2. BECAUSE OF INCREASED THREAT POSED BY COMMUNIST-
CONTROLLED INDOCHINA, GOI HAS SOUGHT TO ACCELERATE ITS
MILITARY MODERNIZATION PROGRAM, WHILE AT SAME TIME
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CONFIDENTIAL

PAGE 02 JAKART 01463 020939Z

MAINTAINING ITS BASIC POLICY OF GIVING PRIORITY TO ECON-

OMIC DEVELOPMENT OVER MILITARY SPENDING IN ALLOCATING ITS FINANCIAL RESOURCES. FOLLOWING JULY 1975 MEETING OF PRESIDENTS FORD AND SUHARTO AT CAMP DAVID, INDONESIAN MILITARY TEAM VISITED WASHINGTON TO REVIEW GOI MILITARY NEEDS WITH US OFFICIALS. PROPOSED FY 77 PROGRAM DRAWS UPON RESULTS OF THESE DISCUSSIONS AND ALSO BUILDS ON PREVIOUS US SECURITY ASSISTANCE, WHICH SINCE FY 71 HAS INCLUDED SUBSTANTIAL SUPPORT FOR COMMUNICATIONS, AIR TRANSPORT, NAVAL CRAFT, AND DEVELOPMENT OF MOBILE COMBAT FORCES.

3. VARIOUS ELEMENTS OF FY 77 PROGRAM -- GRANT MATERIEL, GRANT TRAINING, AND FMS CREDIT -- REPRESENT COORDINATED EFFORT TO USE ANTICIPATED SECURITY ASSISTANCE RESOURCES TO FURTHER MODERNIZATION IN THE THREE PRIORITY AREAS. FMS CREDIT TALLING \$23.1 MILLION WILL FUND HELICOPTERS (S-61N, S-61R, AND UH-1H) AND PATROL CRAFT (PSMMS) WHICH WILL ENHANCE BOTH MOBILITY AND SURVEILLANCE. GRANT FUNDS TALLING \$22.4 MILLION WILL BE USED PRIMARILY TO CARRY FORWARD NATIONWIDE MILITARY COMMUNICATIONS SYSTEM (INDOCOM) AND PROVIDE MODERN EQUIPMENT FOR KEY MILITARY UNITS (FOUR AIRBORNE BATTALIONS AND ONE ARMORED CAVALRY BRIGADE).

4. FMS CREDIT PROPOSED FOR FY 77 REPRESENTS FURTHER STEP TOWARD INCREASED USE OF THIS RESOURCE IN INDONESIAN SECURITY ASSISTANCE PROGRAM -- A PROCESS BEGUN IN FY 74, WHEN FIRST FMS CREDIT OF \$3.5 MILLION ALLOTTED TO INDONESIA. AT SAME TIME, A SIZABLE ELEMENT OF GRANT MATERIEL ASSISTANCE HAS BEEN RETAINED AS ESSENTIAL IN LIGHT OF GOI'S AVAILABLE FINANCIAL RESOURCES AND ITS MILITARY NEEDS. INDONESIA IS ONE OF WORLD'S POOREST NATIONS (GNP PER CAPITA IS AROUND \$200); AND FOR THIS REASON AND BECAUSE OF CONVICTION THAT NATION'S POLITICAL STABILITY MUST REST ULTIMATELY ON BROAD-BASED INCREASE IN POPULAR WELFARE, GOI HAS SOUGHT TO KEEP MILITARY SPENDING LOW WHILE CONCENTRATING GOVERNMENT RESOURCES ON ECONOMIC DEVELOPMENT. OUR CONTINUED PROVISION OF MILITARY AID, INCLUDING A SUBSTANTIAL AMOUNT OF GRANT ASSISTANCE, SUPPORTS THIS APPROACH.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JAKARTA 01463 020939Z

5. GIVEN INDONESIA'S IMPORTANCE IN THE SOUTHEAST ASIAN REGION AND MAGNITUDE OF ITS DEVELOPMENT NEEDS, US, IN ADDITION TO SECURITY ASSISTANCE PROGRAM, IS IN COOPERATION WITH OTHER DONORS GROUPED TOGETHER IN IGGI, CONTINUING TO PROVIDE SUBSTANTIAL ECONOMIC ASSISTANCE TO INDONESIA. US ECONOMIC ASSISTANCE IN EACH OF FY 74 AND 75 WAS APPROXIMATELY \$92 MILLION, FY 76 AID WILL AMOUNT TO \$90 MILLION AND IN FY 77 DEVELOPMENT

LOANS (PRINCIPAL ELEMENT OF US AID) TOTALLING \$40 MILLION ARE BEING PROPOSED. IN ACCORDANCE WITH US FOREIGN ASSISTANCE POLICY, ECONOMIC AID TO INDONESIA IS DIRECTED TO AREAS WHERE IT WILL HAVE A DIRECT IMPACT ON POPULAR WELFARE, E.G. AGRICULTURE, FAMILY-PLANNING, MANPOWER DEVELOPMENT.

6. OF OTHER IGGI MEMBERS, BASED ON PLEDGES MADE AT MAY 1975 IGGI SESSION, INTERNATIONAL LENDING AGENCIES, OF WHICH MOST IMPORTANT IS IBRD/IDA, ARE PRINCIPAL DONORS (WITH PLEDGE OF \$500 MILLION) WHILE BILATERAL DONORS INCLUDING US HAVE PLEDGED \$350 MILLION. ON THIS BASIS, JAPAN, WITH PLEDGE OF \$120 MILLION, IS LARGEST BILATERAL DONOR. ASSISTANCE BY US AND OTHER IGGI MEMBERS IS BASED ON 1975 IBRD STUDY WHICH ASSESSED INDONESIAN PUBLIC SECTOR REQUIREMENT FOR FOREIGN FINANCING COMMITMENTS AT OVER \$2 BILLION ANNUALLY FOR NEXT DECADE. THIS TAKES INTO ACCOUNT IMPACT OF INCREASED OIL REVENUES, WHICH WHILE IMPORTANT TO GOI, HAVE AMOUNTED TO ONLY ABOUT \$20 PER CAPITA.

7. AUSTRALIA IS KEY SIGNIFICANT THIRD-COUNTRY SUPPLIER OF SECURITY ASSISTANCE, ALTHOUGH NEW ZEALAND PROVIDES LIMITED AMOUNT OF TRAINING. QUARTERLY WORKING LEVEL CONSULTATIONS BETWEEN US, AUSTRALIAN, AND NEW ZEALAND REPRESENTATIVES IN JAKARTA INSURE THAT THESE PROGRAMS DO NOT OVERLAP. PLANNED AUSTRALIAN ASSISTANCE (SIX LIGHT UTILITY AIRCRAFT AND SEVERAL PATROL BOATS) ALSO CONTRIBUTES TO GOI SURVEILLANCE CAPABILITIES AND COMPLEMENTS US EFFORTS. (FYI. AUSTRALIAN ASSISTANCE AMOUNTS TO ABOUT US \$8 MILLION PER YEAR.)

8. AS EXPLAINED REF (B)), MISSION IS RECOMMENDING THAT FY 77 FMS CREDIT AMOUNT TO \$36.9 MILLION RATHER THAN \$23.1 MILLION AS PROPOSED REF (A). INCREASE, IF
CONFIDENTIAL

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PAGE 04 JAKART 01463 020939Z

APPROVED, WOULD BE INTENDED FOR ONE ADDITIONAL S-61R HELICOPTER AND SMALL ARMS PLANT AND WOULD RAISE TOTAL OF FY 77 SECURITY ASSISTANCE TO \$59.3 MILLION.
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